

# Fixed Assets and Infrastructure



## State of Michigan's Strategies for Reporting Infrastructure under GASB 34

A Presentation to the MACPA  
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# Session Layout

- Brief overview of GASB 34 requirements
- Outline Michigan's infrastructure
- Discuss Michigan's transportation methodology
- Highlight Modified Approach vs. Depreciation
- Discuss the application for other infrastructure items
- Questions



# GASB 34 Guidance

- ¶18 - Capital assets should be reported at historical cost.
- ¶19 - Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and others.

# GASB 34 Guidance - con't

- ☼ ¶19 Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

Examples: roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

## GASB 34 Guidance - con't

- ¶148 - Requires PROSPECTIVE reporting, but only requires RETROACTIVE reporting for "MAJOR" general infrastructure assets at applicable transition date.
- Phase 3 gov't (less than \$10 M in revenue) are not required to report retroactively
- ¶156 - language for defining "major" - 5% for subsystem, 10% for network of previously reported general capital assets.

## GASB 34 Guidance - con't

- ☼ ¶154 Requires reporting at applicable transition...assets purchased, constructed, or donated in fiscal years ending after June 30, 1980 or that received major renovations, restorations, or improvements.
- ☼ In Michigan, we will be doing a complete inventory of all infrastructure, regardless of age.



# State of Michigan Infrastructure Background

- Spend \$1.7 billion a year on transportation (it's true)
- 8,600 lane miles of freeway and 18,300 lane miles of non-freeway
- 7% of transportation budget for new roads
- Spending \$6.4 billion over next 5 years
- Over 4,000 bridges on the state highway system plus this .....



\$80 M construction cost, \$483 M cash value, \$80 M maintenance project





# Infrastructure Approach

- Surveying all agencies, studying existing records and data
- Beginning with Transportation Department
- Following with other major departments
- Updated annual fixed asset guidance (changed capitalization limits)
- Planning to use modified approach for most infrastructure



# Major infrastructure components

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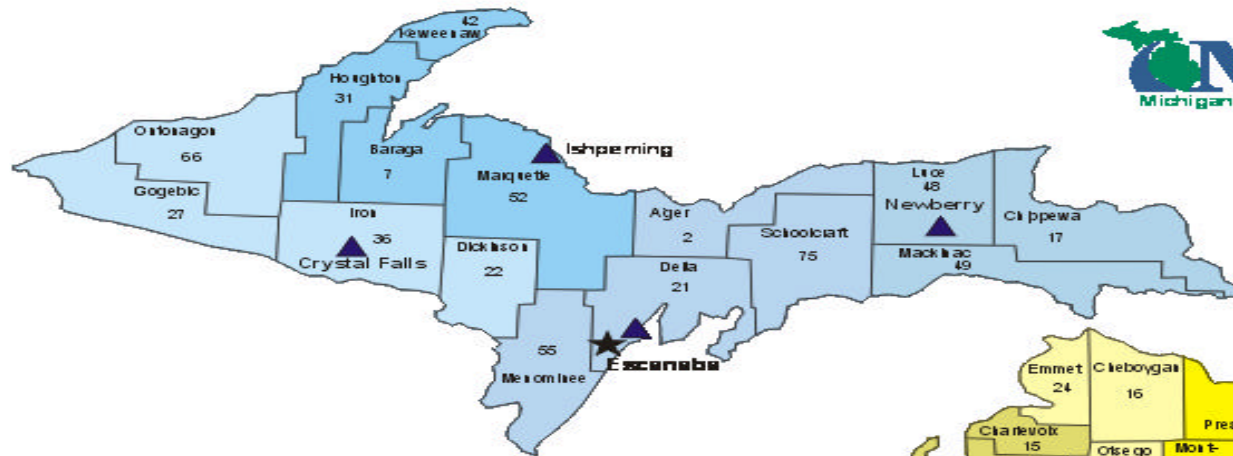
- Roads
- Bridges
- Right of Way items
- Miscellaneous components - airports, railroad grades



# Major infrastructure components

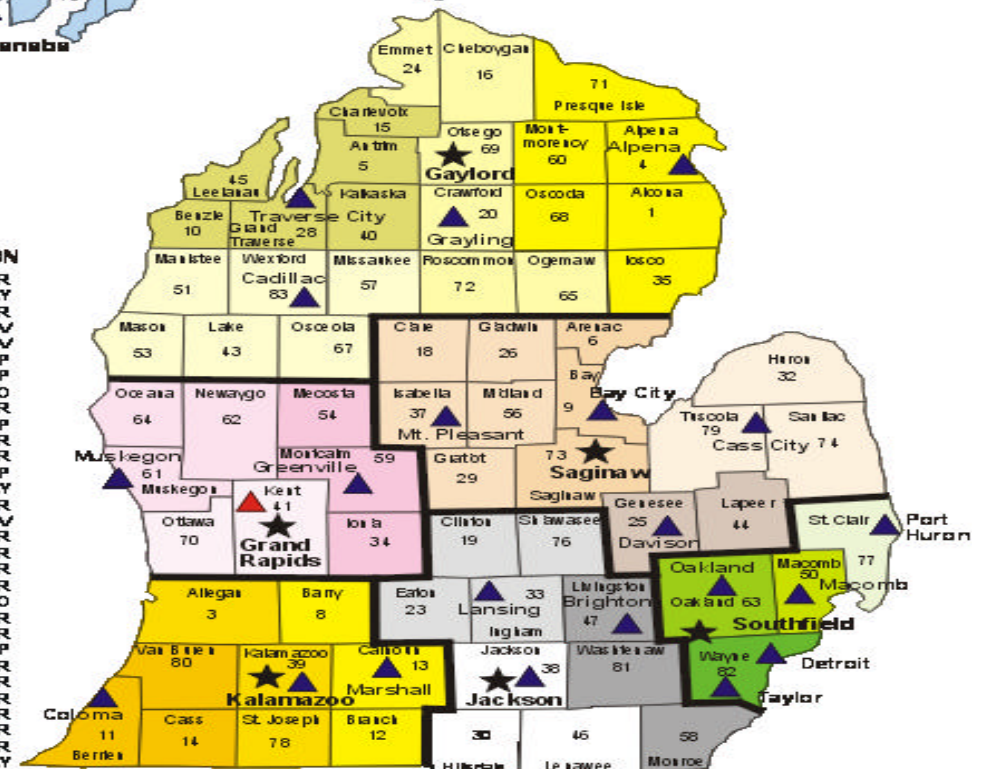
- Freeways, non-freeways, ramps
  - 7 cost regions in the state

# MDOT Regions and Transportation Service Centers



## COUNTIES

REGION		REGION	
1. ALCONA.....NOR	43. LAKE.....NOR	44. LAPEER.....BAY	
2. ALGER.....SUP	44. LAPEER.....BAY	45. LEELANAU.....NOR	
3. ALLEGAN.....SWR	45. LEELANAU.....NOR	46. LENEXWEE.....UNIV	
4. ALPENA.....NOR	46. LENEXWEE.....UNIV	47. LIVINGSTON.....UNIV	
5. ANTRIM.....NOR	47. LIVINGSTON.....UNIV	48. LUCAS.....SUP	
6. ARENAC.....BAY	48. LUCAS.....SUP	49. MACKINAC.....SUP	
7. BARAGA.....SUP	49. MACKINAC.....SUP	50. MACOMB.....METRO	
8. BARRY.....SWR	50. MACOMB.....METRO	51. MANISTEE.....NOR	
9. BAY.....BAY	51. MANISTEE.....NOR	52. MARQUETTE.....SUP	
10. BENZIE.....NOR	52. MARQUETTE.....SUP	53. MASON.....NOR	
11. BERRIEN.....SWR	53. MASON.....NOR	54. MECOSTA.....GR	
12. BRANCH.....SWR	54. MECOSTA.....GR	55. MENOMINEE.....SUP	
13. CALHOUN.....SWR	55. MENOMINEE.....SUP	56. MIDLAND.....BAY	
14. CASS.....SWR	56. MIDLAND.....BAY	57. MISSAUKEE.....NOR	
15. CHARLEVOIX.....NOR	57. MISSAUKEE.....NOR	58. MONROE.....UNIV	
16. CHEBOYGAN.....NOR	58. MONROE.....UNIV	59. MONTCALM.....GR	
17. CHIPPEWA.....SUP	59. MONTCALM.....GR	60. MONTMORENCY.....NOR	
18. CLARE.....BAY	60. MONTMORENCY.....NOR	61. MUSKEGON.....GR	
19. CLINTON.....UNIV	61. MUSKEGON.....GR	62. NEWAYGO.....GR	
20. CRAWFORD.....NOR	62. NEWAYGO.....GR	63. OAKLAND.....METRO	
21. DELTA.....SUP	63. OAKLAND.....METRO	64. OCEANA.....GR	
22. DICKINSON.....SUP	64. OCEANA.....GR	65. OGEAN.....NOR	
23. EATON.....UNIV	65. OGEAN.....NOR	66. ONTOGON.....SUP	
24. EMMET.....NOR	66. ONTOGON.....SUP	67. OCEOLA.....NOR	
25. GENESEE.....BAY	67. OCEOLA.....NOR	68. OSCODA.....NOR	
26. GLADWIN.....BAY	68. OSCODA.....NOR	69. OTSEGO.....NOR	
27. GOGEBIC.....SUP	69. OTSEGO.....NOR	70. OTTAWA.....GR	
28. GD. TRAVERSE.....NOR	70. OTTAWA.....GR	71. PRESQUE ISLE.....NOR	
29. GRATIOT.....BAY	71. PRESQUE ISLE.....NOR	72. ROSCOMMON.....NOR	
30. HILLSDALE.....UNIV	72. ROSCOMMON.....NOR	73. SAGINAW.....BAY	
31. HOUGHTON.....SUP	73. SAGINAW.....BAY	74. SANILAC.....BAY	
32. HURON.....BAY	74. SANILAC.....BAY	75. SCHOOLCRAFT.....SUP	
33. INGHAM.....UNIV	75. SCHOOLCRAFT.....SUP	76. SHAWANSEE.....UNIV	
34. IONIA.....GR	76. SHAWANSEE.....UNIV	77. ST. CLAIR.....METRO	
35. IOSCO.....NOR	77. ST. CLAIR.....METRO	78. ST. JOSEPH.....SWR	
36. IONIA.....GR	78. ST. JOSEPH.....SWR	79. TUSCOLA.....BAY	
37. ISABELLA.....BAY	79. TUSCOLA.....BAY	80. VAN BUREN.....SWR	
38. JACKSON.....UNIV	80. VAN BUREN.....SWR	81. WASHTENAW.....UNIV	
39. KALAMAZOO.....SWR	81. WASHTENAW.....UNIV	82. WAYNE.....METRO	
40. KALKASKA.....NOR	82. WAYNE.....METRO	83. WEXFORD.....NOR	
41. KENT.....GR	83. WEXFORD.....NOR		
42. KEWEENAW.....SUP			



Superior	Southwest	Metro	Region Office
North	University		TSC
Grand	Bay		(As of 9/00)
			TSC Open In This
			County In 2001

# Estimated Historical Cost - Based on Current Cost to Re-construct

- Used cost to re-construct from 1999
- Deflated back to average year of construction
- To say it another way....we used 1999 costs, to determined the value of roads that were built in the 60's and 70's.
- Discussed in ¶159 (seems to be a common approach)



# Bridge Spans

- Determined a value per square meter.
- Did a complete inventory of bridges, including span length and construction year.
- Deflated value, using a similar process as with roads.



# Right of Way

- Used an estimated appraised value by region.
- Applied value to miles of ROW.
- Deflated to average year of purchase.

Contemplating a different approach - what is true "value" of living next to a highway??



# Misc. Items

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- Weigh stations
- Drains and sewers
- Pumping stations
- Rest stops
- Signage, lighting, guardrails, median barriers, pavement markings, etc.





# Reasons for selecting modified

- Disclosures preferred by MDOT executives
- Approach is similar to our road assessment process today
- Closest to what we do today for financial reporting
- Best public disclosure, told in a way that people can understand.



# Adding amounts to capitalized values

- Need to increase capacity or efficiency (¶25)

Capacity - adding a lane

Efficiency - changing make up of road surface, increasing load limits

- Need to establish business rules for what will qualify.



# Drains and Sewers

- Discussed with a few large cities
- Appears to be more of an issue of who is responsible rather than how to value
- GASB 34 Q&A #268—When ownership is unclear, the government with primary responsibility for managing an infrastructure asset should report the asset.



# Other Infrastructure

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- The Department of Natural Resources has thousands of miles of forest roads  
Treat State parks as a network (building, electrical, sewers, etc)
- Prisons (91 miles), hospitals, and schools also have access roads (ancillary)

# Other Infrastructure - con't

- Other unusual infrastructure examples (water treatment)
- Some are recorded in general fixed assets today, some are not. (don't tell the auditors).
- Capital outlay approach



# System impact

- Decentralized approach for data collection
- Centralized entry for depreciation
- Planning on spreadsheets, off-line record-keeping for first few years
- Evaluating cost benefit of integrated infrastructure system



# Implementation strategies

- For large governments, this is a major project, so start early
- Carefully evaluate modified vs. traditional alternative with executive leadership
- Evaluate cost-benefit for retrospective costs
- Engage auditors early, plan for testing



- ⚙ Updates on our progress with early implementation are available at:

[www.state.mi.us/dmb/ofm](http://www.state.mi.us/dmb/ofm)



# Thank you

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